

Message Text

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PAGE 01 STATE 193332

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ORIGIN SS-30

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DRAFTED BY NEA:SSOBER:LAB

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NEA/ARP:FMDICKMAN

TREASURY:GPARSKY (SUBS)

P:JJSISCO

S/S:WHLUERS

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O 040010Z SEP 74

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

S E C R E T STATE 193332

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJECT: PRINCE FAHD AND THE SAUDI OIL AUCTION

REF.: JIDDA 5074

1. WE HAVE GIVEN CAREFUL CONSIDERATION TO ACCOUNT OF YOUR MEETING WITH YAMANI AND YOUR RECOMMENDATIONS THEREON. BASIC TO OUR CONSIDERATION IS OUR CONTINUING BELIEF THAT MAINTENANCE OF CURRENT HIGH LEVEL PRICES WILL HAVE GRAVE ECONOMIC CONSEQUENCES FOR CONSUMING COUNTRIES WHICH CANNOT BUT AFFECT PRODUCERS' INTERESTS AS WELL. THE PROBLEM IS HOW TO GET A DECREASE IN PRICES. WE HAVE NOTED CAREFULLY YOUR COMMENTS REGARDING LIKELY EFFECTS OF SAUDI OIL AUCTION, SHOULD IT ACTUALLY TAKE PLACE.

2. AS YOU ARE AWARE, THE PRESIDENT HAS RECENTLY WRITTEN TO KING FAISAL AND IN COURSE OF THAT LETTER MADE CERTAIN REMARKS ON THE RAMIFICATIONS OF THE HIGH LEVEL OF PETROLEUM PRICES. YOU WILL RECALL YAMANI'S REQUEST TO YOU IN GENEVA THAT SUCH A LETTER BE WRITTEN. HE MIGHT APPRECIATE KNOWING
SECRET

SECRET

PAGE 02 STATE 193332

THAT LETTER EXISTS.

3. AS FOR YOUR CALLING ON FAHD IN LONDON, SUCH A STEP
COULD NOT GO UNNOTICED BY OTHERS. IT COULD WELL BE

EMBARRASSING TO SAG TO BE SEEN TO HAVE AMERICAN
AMBASSADOR MAKE SUCH AN UNUSUAL VISIT AGAINST THE BACK-
GROUND OF CURRENT CONTROVERSY OVER PRICES AND THE FORTH-
COMING OPEC MEETING. IF THE PERSONAL APPROACH BY YOU TO
FAHD HELD OUT SUBSTANTIAL HOPE FOR A NEW AND LOWER WORLD
PRICE FOR OIL, IT WOULD NEVERTHELESS SEEM IMPORTANT TO GO
AHEAD. ON THIS POINT, HOWEVER, WE HAVE NOTED YOUR OWN
DOUBTS, AND DEPARTMENT STRONGLY SHARES THIS VIEW. IN
LIGHT FOREGOING, DEPARTMENT CONCLUDES TRIP BY YOU TO
LONDON WOULD NOT BE DESIRABLE. INGERSOLL

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